

ENLARGING THE EUROPEAN UNION A FUTURE PERSPECTIVE

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(I) Introduction: Motivations for applying to join the European Union

Enlargement has been an issue for the European Union virtually since its inception. The first formal applications for membership were made as early as 1961 - by Britain, Ireland, Denmark and Norway. (Indeed, the Norwegian saga has continued to the present day.) Around the same time, Greece and Turkey concluded association agreements which, in their case, anticipated eventual accession. Since 1961 the EU's membership has grown from its original six to nine, ten, twelve and, since the beginning of this year to fifteen. Beyond that there are currently five live applications - from Turkey, Cyprus, Malta, Poland and Hungary - some of which have been effectively diverted by the EU (but the applicants have not gone away) or remain to be addressed. In the medium term, the EU can realistically expect applications from the remaining countries who already have, have agreed and initialled, or are negotiating Europe Agreements.

It is fashionable to attribute this widespread interest in membership to the great success of the European Union, particularly economic success. However, whilst there is a positive element based on perceptions of that kind, there is also a negative aspect. Specifically, there are three components of this: firstly, fears of the implications of not joining the EU; secondly, the failure or perceived failure of alternatives to membership; and, thirdly, EU accession is seen as a means of pursuing domestic objectives in the applicant states rather than because of any attraction to European integration. The 'fear' element is principally related to exclusion from the single European market. This is mainly not based on the rather crude 'Fortress Europe' concept, although there may be a little of this, but rather reflects more pragmatic and specific concerns. These relate to things like exclusion from the setting of technical standards, exclusion from EU public procurement markets, and loss of investment (both domestic and foreign) as this is diverted into the EU's single market. A secondary basis for fear stems from the growing perception that the European Union is 'Europe' and not being a member implies not being part of the European mainstream.

This 'fear' element should not be underestimated. There is no doubt that it was the driving force behind the interest in EFTA which ultimately led to three EFTA members joining the EU this year. These countries did not suddenly recognise the error of their ways and become converted to the cause of a federal Europe. Their entry bids were based on hard economic calculations that they stood more to lose by staying out of the EU than going in. Their referenda campaigns and results (including - perhaps especially - Norway's) are clear evidence of this. This then has critical implications for the future development of the EU because, if these new members have not changed their spots, then they may seek to change the form that the 'success' of European integration will take and possibly even backtrack on that which it currently takes.

The failure (real or perceived) of alternatives also takes two forms:

* Failure of alternative European groupings or forms of intra-European cooperation. This was clearly the case with the communist bloc in eastern/central Europe but also EFTA had become somewhat moribund. Its geographical dispersion has never been helpful and since the defection of Britain it has lacked the size and political clout to face the EU as an equal. More fundamentally, EFTA has always been an organisation with limited aspirations and nowhere much to go beyond a free trade area. It has therefore lacked dynamism and, to some extent, a sense of purpose. It has also been unable to put on a united external front - for example, in its approach to the European Economic Area. Indeed, EFTA's few acts of collective action since its inception have been rather aptly described as 'occasional flashes of light on a darkening horizon'.¹ EFTA lacks coherence and depth as an organisation.

* Failure of alternative (to membership) relationships with the EU, notably association and the European Economic Area (EEA).² Association is actually a rather vague concept which was originally only broadly defined as 'creating ... reciprocal rights and obligations, joint actions and special procedures'.³ Consequently, association has effectively been defined by practice and would seem to consist of a 'trade agreement plus'. However, association agreements are beset by safeguards and exclusions on the part of the EU, have proved difficult to manage and, in any case, their benefits tend to be eroded in value as the EU gives similar benefits to non-associated countries through other agreements and the GSP. They also suffer from the same drawback as the EEA: the EU only allows full members to take decisions and other members of the EEA and associates ultimately have little choice but to accept them. The EEA is also a very one-sided agreement in that the final terms of the agreement were very much those wanted by the EU rather than EFTA. Consequently, in the face of all these disadvantages, most countries who want to accede to the EU see little value in a transitional phase of association or EEA membership; they would rather move directly to EU accession.

The lack of alternatives means that, as with the fear factor, prospective EU members may increasingly be joining for the 'wrong' reason - not because they share the vision of Europe of existing members (or at least the majority) but because they do not want to be left out. This implies that an EU of fifteen plus may become an increasingly broad church which lacks a unified vision of the way forward.

Finally, turning to EU accession as a means of achieving domestic objectives. All the current applicants (and most likely future applicants) are relatively poor, compared to the EU member states. Not surprisingly, therefore, they all see EU membership as a means of increasing their economic prosperity, in the short term through access to the EU's structural funds and other financial resources and, in the long run (although this is not usually very well thought out) through the general benefits of EU membership leading to higher economic growth. Perhaps more importantly, all the aspiring members have specific (though more dissimilar) domestic political objectives: the eastern/central European states want to ensure that they remain democracies and do not drift back into communism (or something worse); Turkey wishes to confirm its 'European vocation'; the (Greek) Cypriots see EU accession as a catalyst for resolving the 'Cyprus problem'; finally, the Maltese Nationalists want to confirm Malta's position within the EU in case of, or indeed to preclude, a return to power of the Maltese Labour Party which is hostile to EU membership. The implications of all these negative motivations is that the desire to join the EU is, in most cases, not fuelled principally by a desire to pursue European integration as an objective in itself. An indicative example is provided by the Czech government. The earlier euphoria which was associated with unqualified acceptance of everything the EU did and stood for has given way to a degree of 'Euro-scepticism' and concern with possible EU interference in the development of nation states, although economic interests still make EU membership a priority.⁴

There is also a related factor which may not favour continued integration along the lines of the founding fathers of the EU. The 1995 enlargement is the last 'traditional' or 'classical' enlargement; that is, it is the last one that will have been achieved with only minimal adjustment to the institutions and procedures of the EU. All enlargements to this point have basically involving an incremental approach, whereby new members are simply tacked on to the existing membership and the EU continues in a modified, but not fundamentally, different form. There is a limit to the extent to which the original Treaty of Rome framework for a membership of six can be stretched. The net result of all these influences is that the next enlargement of the EU will raise all kinds of possibilities. Some of these are explored in the concluding (fourth) section but, before that, the paper turns to a brief examination of the applicant states: the second section looks at the Mediterranean and the third focuses on eastern/central Europe.

(II) The Mediterranean Applicants

The prospect of a further Mediterranean enlargement raises a series of complex issues which have been widely addressed in the case of Turkey, although rather less so for Cyprus and Malta.⁵ However, the present section will focus principally on those areas which seem most relevant to the re-ordering of EU affairs which will inevitably come with the accession of these countries. The three actually represent rather different cases. The Turks are the longest-standing applicant and have had a troubled relationship with the EU. After a long delay the European Commission finally gave its opinion on the Turkish application⁶ which was essentially negative. An EU-Turkey customs union was recently agreed and this is now the current intention. The opinions on Cyprus and Malta⁷ were also negative in the sense of ruling out immediate negotiations. Whilst eligibility for membership was confirmed for both countries, this required economic reform in the case of Malta and some progress towards resolving the political divide in the case of Cyprus, before further progress could be made. Since the opinions were issued the prospects for membership have improved for Malta and Cyprus but probably not for Turkey.

In the present context all three raise significant issues in terms of changes to present EU structures that would have to be made to accommodate them. In the case of Turkey, perhaps the key issues relate to its size and likely economic impact. Turkey would qualify for two Commissioners and a number of MEPS comparable to that of the united Germany. Furthermore, it would have a major effect on the balance of voting within the Council of Ministers. Whilst absorbing any large new member is difficult, the relative poverty of Turkey would also raise particular problems for the EU. There would be large demands on the structural funds and the common agricultural policy would be stretched to the limit. At a time of budgetary restraint in the member states of the EU it is not easy to see how this could be accommodated without major changes in the EU policy. It is clear that the principal - indeed the only - major attraction of Turkey to the EU is the contribution it can make to the common foreign and policy. Turkey would seem almost tailor-made for membership of an outer tier of a multi-tier EU.

The salient issue with regard to Malta and Cyprus (and probably the only one they have in common) concerns their size. The balance between small and large countries within the EU is an extremely sensitive issue and one that the EU has preferred not to address; Luxembourg is comparable but is a very special case. There are a whole range of institutional issues raised by the admission of micro-states, most specifically concerning their ability to run a Council presidency: this is partly a question of technical ability - having sufficient civil servants and bureaucrats to cope - but, more importantly, it is a matter of credibility. More generally, there is the matter of whether the disproportionately large voting rights of smaller states in the Council (and representation in the European Parliament) could be extended to incoming micro-states. If it were, would the larger members be prepared to have their favoured policies blocked by combinations including smaller countries which represented very small proportions of the total EU population? The question also concerns the present smaller EU member states who have made it quite clear that they wish their present (inflated) voting rights to be maintained.⁸ There would seem to be an incompatibility in the positions of small and large members.

For different reasons it is hard to see how the three Mediterranean aspiring members can be accommodated with the current EU framework. In addition to the problems already raised there are question marks over the implementation of one of the four freedoms of movement - of people - in two cases: in the case of Turkey because of its desirability (from the EU's point of view) and in the case of Cyprus because of its practicability. Also, the ability of all three, particularly Turkey, to participate in economic and monetary union except in the very long term is extremely doubtful. It is quite clear that these countries cannot simply be attached to the EU in the same way as Austria, Sweden and Finland have been.

(III) Prospective Members from Eastern/Central Europe

The accommodation of this group of countries represents the real dilemma for the European Union. From a cynical perspective, Turkey, Cyprus and Malta can be ignored or at least interminably delayed. The EU dare not turn its back on the former members of the communist bloc. Their accommodation is an essential act of enlightened self-interest required to stabilise the EU's eastern border and prevent massive migration from east to west. There may also be economic benefits to the EU. However, precisely how these countries might be accommodated is a very contentious matter. The current Mediterranean membership of the EU is very suspicious of expansion to the east, fearing competition for their producers and for EU funds, and a general shift in the axis of the EU away from the south to the east, whilst Germany is supportive. The only other favourable member state is Britain but its motives are regarded as dubious and anti-communautaire by many others.

As in the Mediterranean there is a tendency to treat these countries as a bloc or, rather, a series of blocs - the Visegrad Four, Bulgaria and Romania, the Baltics and so on - when, in fact, also like the Mediterranean applicants, they are quite different cases. The frontrunners are generally regarded as being the Visegrad Four but these are very different in terms of size and economic situation. Poland is significantly larger than the other three and, in this respect, raises questions not dissimilar to those raised by Turkey. It is also, by a margin, poorer than Hungary and the Czech Republic, although Slovakia is poorer still. In addition, there is Slovenia - the dark horse whose time may have come much sooner than has been commonly realised - with a GDP per capita greater and an agricultural sector smaller than those of the poorer existing EU member states (Greece and Portugal). In fact, this tendency to treat applicants for membership as a group rather than individual cases imposes a self-inflicted difficulty on the EU by condemning the EU to offering equality of treatment and making it wary of setting precedents. Thus whilst it might be feasible to admit the Czech Republic this side of the year 2000, this is not true of Poland; but the EU cannot do this because the two applications have become inextricably linked and so the process of enlargement is delayed.

The principal problems posed for the EU by enlargement to the east are illustrated in Table 1. The dependency on agriculture is greater than that of the EU, most markedly for Poland. Somewhat paradoxically, given the market orientation of their overall policies, the Visegrad countries have been moving away from liberalisation towards a more regulated, CAP-like agricultural sector.⁹ Whilst this may alleviate internal political pressure, it is unsustainable without CAP membership and EU funding. Unfortunately this is unlikely to happen: there is widespread agreement that either the CAP will have to be reformed to make it less costly or these countries cannot participate in it.

TABLE 1: INCOME, POPULATION AND AGRICULTURAL DATA
(Selected Countries)

| | 1991 Pop. (Mill.) | per cap | 1991 GDP of output (US\$) | 1993 Agric. (% employment) | 1993 Agric. (% of |
|------------|-------------------------|---------|------------------------------------|----------------------------------|----------------------|
| Poland | 38.2 | | 4720 | 6.5 | 28.0 |
| Hungary | 10.3 | | 6080 | 8.5 | 8.0 |
| Czech Rep. | 10.4 | 7570 | 4.5 | 6.5 | |
| Slovakia | 5.2 | | 3790 | 5.5 | 10.0 |
| Slovenia | 2.0 | | 10800 | 5.0 (1991) | n/a |

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|------------|------|-------|------|------|
| Bulgaria | 9.0 | 4980 | 10.5 | 18.5 |
| Romania | 23.0 | 6900 | 22.5 | 33.0 |
| <hr/> | | | | |
| EU average | - | 16800 | 2.6 | 6.2 |
| <hr/> | | | | |

Sources: R. E. Baldwin Towards an Integrated Europe (London: CEPR, 1994) Tables 7.3 and 7.4, pp. 166-7 and the Economist 20 August 1994, p. 32.

The second problem concerns the cost of admitting new member states from central and eastern Europe. This is a difficult and inevitably contentious calculation and a variety of figures have been calculated. The projected estimated increase increases in the EU's budget range from ECU 58.1b.10 for just the Visegrad Four in the year 2000 down to ECU 12.9b.11 (1989 levels) for the Visegrad Four plus Bulgaria and Romania; another estimate falls between the two at ECU 23.9b.12 (1991 levels) for the latter grouping, rising to ECU 26.7b.13 if Slovenia and the three Baltics are added. Whichever figure is chosen it is a very substantial addition to the EU budget. In the light of the scale of the difficulties faced by the former Soviet satellites, this is perhaps not excessive. However, at a time of budgetary restraint when even small increases in the EU budget provoke a major outcry and the future willingness of Germany to play the role of the EU's main paymaster is in doubt, an increase of this order would seem to be out of the question. Again the possibility of less than full participation in the European Union would appear to be the only practical way around this problem.

Questions are increasingly being asked about how long these countries are prepared to wait. Is the apparent implicit assumption - that seems to have underpinned the EU's footdragging - that they have nowhere to go except the EU correct? Or do the 1990s represent a unique window of opportunity for eastern and western Europe to come together which, without much more generosity on the part of the EU, will disappear as the disappointed and disillusioned countries of the east drift back to some kind of renewed version of communism and closer economic ties with Russia and each other? Even if the latter is true there must be some doubt as to whether the many EU member states have the wit, wisdom and imagination to rise above their usual pursuit of narrow national interest. However, if the time frame for action is limited then some (or partial) membership may be better than none at all.

(IV) Conclusions: Some Key Issues

Must the EU enlarge further, and will it? There is no doubt that the existing EU membership approaches these questions with reticence, not to say downright reluctance. Certainly, the EU did its best to stem the current tide of enlargement: first the single market had to be completed, then the Delors II budget package had to be agreed, and then the (Maastricht) Treaty of European Union. In addition to this general unwillingness, there is much ambivalence about certain cases, especially Turkey and Cyprus. The EU was also very particular about which applicants in the present phase it admitted first and paid scant attention to national sensitivities. After all Turkey's application (1987) predates any from EFTA and only Austria (1989) amongst the 1995 intake applied before Cyprus and Malta (1990). However, the enlargement process has now begun and the EU clearly has a strong self interest in pursuing it further, certainly with regard to central and eastern Europe, perhaps less obviously with regard to the Mediterranean applicants. Moreover, it is doubtful whether the EU can hold back the tide anyway. Nevertheless, the timing and precise form of the next 'enlargement' is something that the present EU membership can and will determine.

One of the reasons why the EU sought to delay enlargement was because it wished to agree certain vital elements of future EU policy so that these would become part of the *acquis communautaire* that new members would have to be accept. Of course, the underlying issue here concerns the possibly of widening (enlargement) being incompatible with and holding back deepening (further integration).

This is an old debate but a much sharper one in the 1990s because of the scale of the potential coming enlargement: the EU is set to double its membership in the 1990s and beyond. It is not just a matter of quantity but also of 'quality' - the remaining prospective applicants raise much more difficult issues than were raised by new members in the past. The fundamental issue is whether enlarging the EU to the south and to the east will make the 'widening versus deepening' dilemma so acute that it can only be resolved by a multi-speed or multi-tier Union. There is also the related issue of whether the present Treaty of Rome institutional framework can survive a large increase in membership. The likely answer is that it cannot and the maximum amount of flexibility will be required to enable adequate changes to be agreed.

Ultimately, the issue comes down to the questions of what kind of Europe do the different member states want and what kind is practical with a membership of 20-30. There are two aspects of this: the organisational structure (multi- or single- tier/speed?) and the organisational nature (supranational/federal or intergovernmental?). There are at least three views within the present EU membership:

- * Those who favour a single tier/speed supranational and/or federal EU; this is traditionally the view favoured by some of the smaller members.
- * Those who would prefer a much looser intergovernmental EU, notably the British.
- * Those who propose some sort of multi-tier/speed arrangement, quite possibly by dint of circumstance rather than preference.

The latter seems to be the emerging German position. A recent CDU/CSU paper¹⁴ proposed a hard core of five countries (the original six minus Italy) which must 'participate as a matter of course in all policy fields', give 'the Union a strong centre to counteract the centrifugal forces generated by constant enlargement', and 'must be open to every member state willing and able to meet its requirements'.¹⁵ This is a clear proposal for a multi-speed Europe.

It is important to be precise because the concept of 'variable geometry' has three different manifestations which have different implications:

- (1) A multi-speed EU is where every member is included in every policy in principle but, in practice, each member is moving at a different speed. Consequently, at any moment in time, there will be a 'hard core' of countries participating in every policy but a number of 'slower' countries will only be involved at some. However, there is a unity of purpose in the shape of a common end objective and the multi-speed track is primarily a device for allowing those who can and wish to go further to do so.
- (2) A multi-tier EU is where there is no common end goal. It is not a question of different speeds but different destinations. The EU is comprised of an inner tier implementing all policies, a second tier consisting of a group of countries which have opted out of the same EU policies, a third similar tier but with an opt out from more policies, and so on.
- (3) A Europe à la carte is where there is presumably a hard core of central policies but then a 'menu' of additional policies which members choose to opt into or out of; it lacks the order of a multi-tier arrangement.

Only the first of this implies a unified EU although if the time allowed for laggards to catch up is very long then it may effectively amount to (2) or (3). Another critical difference is that although it is likely that (1) would probably imply full participation in decision making by all members, this is unlikely for (2) and (3); indeed, decision making is likely to become rather complex. In fact, a multi-speed EU is actually already here: the European Monetary System was always multi-speed and the provisions for economic and monetary union in the Treaty of European Union continue this; moreover, neither the Schengen Agreement nor the membership of the Western European Union (WEU) includes all EU members.

The debate so far has largely been carried on in terms of opinion in existing EU members. But, of course, a critical unknown factor concerns the attitudes of aspiring members once they have become full EU members. Some of these will be revealed by the actions of Austria, Sweden and Finland at the 1996 intergovernmental conference. As for those to come, one thing is clear: starry eyed European federalists are very thin on the ground beyond the EU's southern and eastern borders. Applicants from these regions are seeking EU membership largely for the negative reasons already described. If these

countries do lack the political commitment to the model of European integration espoused by the original six members then they may try to divert the EU into the slow lane; indeed, their economic weakness may compel them to follow that course.

In the face of the scenario the members of the Germans' 'hard core' have three options: they can accept slower (and probably less) integration, they can move to a multi-speed EU or they can push for a multi-tier EU. The first of these is unacceptable and the second would be a pretence because some of the countries likely to join the EU would never be able or never want to catch up to the 'hard core'. This leaves the third. A multi-tier EU has several advantages:

- * It allows weaker or less enthusiastic members to opt out or be excluded from some EU policies.
- * It does not slow down the fastest ships in the convoy (the 'hard core').
- * It is a more practical alternative to the rather messy *à la carte* approach and to the multi-speed in theory but *à la carte* in practice EU.
- * A coherent decision making framework would emerge whereby members are only directly involved in decisions about policies relating to the tier of which they are a member.
- * It would allow some flexibility in the nature of European cooperation in that supranationality could perhaps dominate the 'hard core' but the outer tiers might adopt a much looser, intergovernmental framework.
- * It would allow the central and eastern Europeans to become members sooner rather than later, possibly joining an outer tier initially, involving political but limited economic cooperation.
- * Provided there was free movement between tiers, subject to prospective members being willing and able to fulfil the requirements of the tier they wished to join, then there is maximum flexibility and maximum European integration since EU members will naturally gravitate towards the highest tier where they are comfortable. The demonstration effect of a small but highly integrated 'inner core' will also encourage more rapid integration.

Clearly there are many details which would require attention but a multi-tier EU would be much more workable than the current allegedly single tier, single speed EU with national opt outs and a multi-speed framework for economic and monetary union. Moreover, the inevitable enlargement to the south and east can only be made compatible with the continuation of a fully inclusive EU in a multi-tier framework.